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Message Text

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13
ACTION ARA-10

INFO OCT-01 EA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-06

FRB-01 INR-07 NSAE-00 RSC-01 TRSE-00 XMB-04 OPIC-06

SP-02 CIEP-02 LAB-03 SIL-01 OMB-01 NSC-05 SS-15

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TO SECSTATE WASHDC 6205
INFO AMEMBASSY CANBERRA
AMEMBASSY GEORGETOWN

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E.O. 11652: N/A
TAGS: EMIN, JM, GY, AS
SUBJECT: EDITORIAL COMMENT: INTERNATIONAL BAUXITE
ASSOCIATION

REF: KINGSTON 3931

BECAUSE OF CONTRASTING POINTS OF VIEW WHICH ARE REPRE-
SENTED, FOLLOWING QUOTES EDITORIALS IN BOTH OF JAMAICA'S
DAILY NEWSPAPERS, THE DAILY GLEANER AND THE DAILY NEWS:

THE DAILY GLEANER: BEGIN TEXT "BAUXITE
SOME MEMBERS OF THE INTERNATIONAL BAUXITE ASSOCIATION APPEAR
TO BE BECOMING HYPNOTISED BY THEIR OWN PROPAGANDA INTO FEELING
THAT THE I.B.A. HAS THE SAME STRENGTH AS THE ORGANIZATION OF
PETROLEUM PRODUCING COUNTRIES. THIS SEEMS A SOMEWHAT UNWORTHY
KIND OF THREAT BY THE NORTH AMERICAN ALUMINUM GIANTS TO
FRIGHTEN I.B.A.

THE DEGREE OF MONOPOLY CONTROL EXERCISED BY ANY ORGANIZATION
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IS DIRECTLY PROPORTIONAL TO THE CONTROL WHICH IT HAS OVER

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THE SUPPLY OF WHATEVER IT DEALS IN. ECONOMIC TEXTBOOKS STATE THAT IN ORDER FOR A MONOPOLY TO BE ABSOLUTE, THE MONOPOLIST MUST BE THE ONLY SUPPLIER, AND THERE CANNOT BE ANY CLOSE SUBSTITUTE TO THE GOODS OR SERVICE. WHEN THIS CRITERIA IS APPLIED FIRST AGAINST O.P.E.C. AND THEN THE I.B.A., THE DIFFERENCE BETWEEN THE TWO IS READILY SEEN.

IN THE CASE OF OIL, THE O.P.E.C. COUNTRIES ACCOUNT FOR MOST OF THE WORLD'S EXPORTS. THIS DOES NOT MEAN TO SAY THAT LARGE QUANTITIES OF OIL ARE NOT PRODUCED ELSEWHERE. IT IS THAT THIS OIL IS FOR DOMESTIC USE. THE SAVING FACTOR FOR THE O.P.E.C. COUNTRIES IS THAT THE SUPPLY OF OIL CANNOT BE INCREASED RAPIDLY. NEW SOURCES MUST BE FOUND AND CONSIDERABLE INVESTMENT MADE. THE OTHER ASPECT IS THAT THERE IS REALLY NO SUBSTITUTE FOR OIL, AND THIS IS WHAT GIVES THE O.P.E.C. COUNTRIES THEIR GREATEST STRENGTH.

IN THE CASE OF BAUXITE, THE I.B.A. COUNTRIES CONTROL MOST OF THE WORLD'S PRODUCTION AT THE PRESENT TIME. ON THE OTHER HAND, BAUXITE IS ONE OF THE MOST PLENTIFUL MINERALS TO BE FOUND, AND MOST IMPORTING COUNTRIES HAVE LARGE DEPOSITS WHICH, FOR ONE REASON OR THE OTHER, THEY ARE NOT EXPLOITING. BUT, UNLIKE OIL, BAUXITE HAS A NUMBER OF SUBSTITUTES. IN OTHER WORDS, IF ALUMINIUM BECOMES TOO EXPENSIVE, OTHER METALS CAN, IN MANY CASES, BE USED. THEREFORE BAUXITE PRODUCERS DO NOT HAVE THE MEASURE OF MONOPOLY CONTROL OF THE OIL PRODUCERS.

IN THE CASE OF BOTH BAUXITE AND OIL, THE LONG-TERM PICTURE IS DIFFERENT. OVER THE YEARS, IT MAY BE POSSIBLE TO FIND NEW SOURCES OF OIL AND TO DEVELOP SUBSTITUTES. IN THE CASE OF BAUXITE, THE IMPORTING COUNTRIES CAN TURN TO THE DEVELOPMENT OF THEIR OWN RESOURCES. THE DEGREE TO WHICH THEY DO THIS WILL DEPEND ON PURE ECONOMICS. AT PRESENT, IT IS PROBABLE THAT THE IMPORTERS HAVE TO PAY HIGHER PRICES AND PUT UP WITH NATIONALIZATION IN SOME CASES BECAUSE OF THE INVESTMENTS WHICH THEY HAVE IN EQUIPMENT AND MACHINERY, AND THE AMOUNT OF MONEY WHICH WOULD HAVE TO BE INVESTED TO INCREASE DOMESTIC PRODUCTION. BUT, OVER THE LONG TERM, THE PLANTS IN FOREIGN COUNTRIES COULD BE ALLOWED TO DEPRECIATE WHILE THEY ARE REPLACED WITH LOCAL PLANTS.
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THE ONLY THING WHICH WOULD DETER SUCH A PROCESS WOULD BE INTELLIGENT PRICING BY THE BAUXITE EXPORTING COUNTRIES. IN OTHER WORDS, THE BAUXITE PRODUCING COUNTRIES MUST LIMIT THEIR LEVIES TO THE LEVEL WHICH WILL PRODUCE THE MAXIMUM INCOME OVER THE LONG PERIOD. THAT IS, THE PRODUCERS MAY HAVE TO BE SATISFIED WITH LESS INCOME BUT WITH THE PROSPECT THAT THE BUYERS WILL CONTINUE TO BUY FROM THEM." END TEXT.

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THE DAILY NEWS: BEGIN TEXT " IBA'S ROLE
PRIME MINISTER MICHAEL MANLEY IN HIS SPEECH AT THE OPENING
OF THE FIRST MEETING OF THE EXECUTIVE BOARD OF THE INTERNATIONAL
BAUXITE ASSOCIATION MAY HAVE GIVEN A HINT AT THE WAY IN WHICH THE
CURRENT BAUXITE NEGOTIATIONS BETWEEN THE JAMAICA GOVERNMENT
AND THE COMPANIES MAY BE PROGRESSING.
ALTHOUGH IN KEEPING WITH THE OCCASION HE PUT WHAT HE HAD TO
SAY IN THE CONTEXT OF THE IBA, THE TONE OF HIS SPEECH WAS
SIGNIFICANTLY MILD, ALTHOUGH CERTAINLY NOT LACKING IN
FIRMNESS.
THE FORMATION OF THE IBA, MR. MANLEY SAID, SHOULD BE SEEN AS
A POSSIBLE MEANS OF PARTNERSHIP BETWEEN DEVELOPING COUNTRIES
WHICH OWN THE RAW MATERIAL AND THE DEVELOPED COUNTRIES WHICH
PROCESS IT. IT IS AN INVITATION WHICH WE HOPE THE BAUXITE
COMPANIES WILL RESPOND TO IN A POSITIVE WAY, ALTHOUGH WE CAN
UNDERSTAND THE ANXIETY WHICH THEY WOULD FEEL WITH IBA FOLLOWING
SO CLOSELY UPON THE HEELS OF OPEC AND THE EFFECTS OF OPEC'S
ACTIONS IN PUSHING UP THE OIL PRICES.
BUT THEIR ANXIETY OVER THE WIDER IMPLICATIONS OF THE JAMAICAN
LEVY FOLLOWING THE FAILURE OF THE REVENUE PART OF THE DISCUSSIONS
HERE SHOULD TO SOME EXTENT BE ALLAYED, NOW THAT TWO OF THE
PRINCIPAL SPOKESMEN FOR PRODUCER COUNTRIES HAVE POINTED THE
WAY TO CO-OPERATION RATHER THAN GENERAL CONFRONTATION.
MR. MANLEY'S INVITATION TO THE COMPANIES TO SEE THE IBA AS AN
AVENUE FOR CO-OPERATION AND MUTUAL BENEFITS, AND NOT AS A
THREAT, AND MR. BURNHAM'S STATEMENT AT THE OPENING OF THE GUYANA
MEETING THAT THE ASSOCIATION WAS NOT AN INSTITUTION OF WAR
BUT ONE AIMED AT GIVING PRODUCER COUNTRIES THEIR JUST SHARE,
CANNOT BE LIGHTLY BRUSHED ASIDE BY THE BAUXITE COMPANIES.
GUYANA'S OWN SITUATION APART, IT IS CLEAR FROM THESE INITIAL
STATEMENTS THAT THERE IS A RECOGNITION WITHIN IBA THAT ITS
PRIMARY ROLE WILL BE, AS DR. CAIRNS THE AUSTRALIAN DEPUTY
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PRIME MINISTER PUT IT, ONE OF FINDING SOLUTIONS TO PROBLEMS
WHICH (ARISE) WITH THE PRODUCTION AND EXPORT OF RAW MATERIALS.
IT IS UNLIKELY THAT IBA WILL BE ABLE TO OPERATE AS AN EFFECTIVE
MONOPOLY CARTEL IN THE WAY IN WHICH OPEC HAS BEEN ABLE TO
DO.
THE IBA WILL THEREFORE SERVE ITS MEMBERS BEST IN PREVENTING
THE BAUXITE COMPANIES FROM CONTINUING TO PURSUE THE CHECKER-
BOARD PRINCIPLE WHICH THEY NOW OPERATE...A PRINCIPLE WHICH
IS ALSO USED BY THE OIL COMPANIES...AND MAKE IT MORE DIFFICULT
FOR THEM TO PLAY OFF ONE PRODUCER COUNTRY AGAINSTTHE OTHER.
CLEARLY EACH PRODUCER COUNTRY WILL FOLLOW ITS OWN POLICIES
WITHIN IS PECULIAR POLITICAL FRAMEWORK. GUYANA HAS GONE FOR
NATIONALIZATION; JAMAICA IS DISCUSSING THE RE-ACQUISITION OF OUR
BAUXITE LANDS, CONTROL OF SURFACE RIGHTS AND OF OUR ORE.
CONTROL IN THESE AREAS CAN ONLY BE NEGOTIATED IN TERMS OF

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COMPENSATION AND PARTNERSHIP, AND WHILST THERE HAS BEEN NO STATEMENT ON THE PROGRESS OF THE SECOND PHASE OF THE TALKS, IT IS FAIR TO GAUGE FROM THE TONE OF MR. MANLEY'S STATEMENT TO THE EXECUTIVE BOARD THAT THEY ARE PROCEEDING IN A CORDIAL MANNER.

THE PURCHASE BY JAMAICA OF SHARES IN REYNOLDS METAL COMPANY AND THE KAISER ALUMINIUM CORPORATION, AND THE RESPONSE THIS ACTION DREW FROM THE COMPANIES SHOULD BE SEEN AS ANOTHER INDICATOR OF THE ATMOSPHERE IN WHICH THIS PHASE OF THE JAMAICA TALKS ARE GOING ON.

AS MR. MANLEY SAID, THE IBA AFFORDS THE BAUXITE COMPANIES A UNQIUE OPPORTUNITY TO PLACE RELATIONS WITH RAW MATERIAL PRODUCING COUNTRIES ON A POLITICALLY AND ECONOMICALLY VIABLE BASIS. IT WOULD BE REGRETTABLE IF IN A GENERAL WAY, THEY RESPONDED TO THE IBA IN ANY OTHER WAY. END TEXT.

GERARD

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